UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

Editorial Reference Series: No. 11. August, 1941.

FOOD PRICES AND CONSUMER INCOMES

The trend of commodity prices lately has been upward, and questions of price relationships between the great producing and consuming groups are the subject of widespread discussion.

It is a principle of price behavior that, in a time of broad general movement, the price fluctuations tend to be greatest at the producing end. When all prices are rising commodity prices close to the farm tend to rise faster than those on the retail end — and farm prices likewise fall more quickly in a time of general recession. Prices at the farm are rising now. But retail prices of food have not yet risen much, and in consequence, the position of urban factory workers has improved in respect to their food purchases.

Some Rise in Prices of Farm Products

The general level of local market prices of farm products, in the month ended mid-July, went up 7 points in the index, adding this rise to the 15-point upturn already registered during the previous three months. By mid-July this index of prices received by farmers was higher than at any time since March 1937 and was 25 percent above the level prevailing before the present war began.

Meat animal prices by this time were up 44 points above a year earlier; chickens and eggs 37; truck crops 32; cotton and cottonseed 41; dairy products 27; and grain prices 20 points. Fruit in mid-July was only 4 points above last year, it being held down by low citrus prices.

This rise in prices was not due to any shortage of farm products; marketings of most things were about the same as a year earlier and supplies of several were

considerably larger. The rise in prices was ascribed chiefly to the higher loan rates on basic commodities, the buying operations of the Federal Government, and to the higher incomes of industrial workers and enlarged consumer demand.

Little Rise Yet in Retail Prices of Food

Notwithstanding this beginning rise on the producing end, food prices at retail have, in general, not changed materially. During the first 6 months of 1941, retail food prices averaged 79 percent of the 1929 level, compared with 76 percent in the same 6 months of 1940, and 75-77 percent during the years 1938-39-40. In June they were still only 80 percent and in July 81 percent of 1929 prices.

Since the foregoing retail price changes cover the cost of a standard food budget for factory workers, as computed by the Bureau of Labor Statistics, it is informative to compare these price changes with the wage earnings of factory workers. Such a comparison appears in Table 1.

Factory Workers' Wages Will Buy a Third More Food Than in 1929

Real wages have shown a substantial advance during the last year, at least in terms of food buying power, and food is the most important outlay in the average wage earner's family.

During the first 6 months of 1941 average factory wage earnings amounted to $1372 per employed worker. This was $192 greater than the average earnings during the like months of last year. It was $70 greater than the average earnings of factory workers employed in 1929. Since 1929, hours of work have been reduced and rates of pay increased, so that the 1941 earnings are approximately 5 percent above those of 1929. Obviously, with earnings during the first 6 months of 1941 somewhat above those of 1929 and food prices 21 percent lower, the purchasing power of these earnings in exchange for food is substantially greater than in 1929;

it was, in fact, about one-third greater, and in June it was 42 percent greater.

Workers Can Buy a Third More of Other Things

Looking at this question from another angle, how much more money does the average worker have today, after taking care of his food budget, to spend for commodities other than food?

At prices prevailing during the first 6 months of this year, the annual food budget cost $327, compared with $314 in 1940. This was only a $13, or 4 percent, increase over last year and it was a reduction of $88 under the cost of the annual food bill in 1929.

In 1929, after paying $415 for food, the average factory worker had left $887. So far this year, after deducting $327 as the present annual cost for the same quantity of food, the average factory worker has left $1045 which he may spend for other things (or for more -- or more expensive -- foods).

The amount of money left over above food cost is approximately 18 percent greater than the amount that was left over likewise in 1929. Inasmuch as prices of nonfood items in living costs so far this year have averaged only 87 percent as high as in 1929, the average factory worker this year has been able to buy 35% more in the way of goods and services other than food than he did in 1929.

Food Takes a Fourth of Wages; In 1929 Took a Third

Still another way of putting it is that the annual retail cost of the standard food basket (58 items), amounting to $327, represents only about 24 percent of the annual wages of the employed worker, whereas the 1929 cost of the same quantity of food took 32 percent of his annual wages.

The farmer's share in the consumer's food dollar is now less than it was in 1929. About half this saving in food costs is contributed by the lower farm prices; lower distributing costs in general contribute the other half.

Earnings Rising Among All Urban Groups

Comparisons similar to the foregoing can not be made for other groups or for the entire nonagricultural population since the available indexes of living costs apply only to factory workers. These workers now total close to 10 million, but they represent only about one-fourth of all nonagricultural employed persons. Many of the latter live on budgets quite different from that of the average factory worker, because their annual earnings are either smaller or greater than average factory wage earnings.

During the first 6 months of 1941, when average factory payrolls per employed worker amounted to $1372, those engaged in service trades earned at an annual rate of $855, those engaged in wholesale and retail trades $1238, in mining $1379, in transportation, communication and utilities $1869, and in Government service (excluding military) $1827. All of these groups combined earned at an average rate of $1396 in the first 6 months of 1941, compared with $1280 in 1940 and $1372 in 1929.

Incomes Back at 1929 Level

In general, the effect of recovery since 1932 and the defense program so far has been to restore wage earnings of industrial workers and the money income of the whole nonagricultural employed population to about the 1929 level; but in addition, it should be noted that there are still several million persons out of work, partly employed or employed in Government relief work, and that not all groups are sharing equally in the recent gains in income and purchasing power.

Factory Workers Show Greatest Gains

If for all these groups we allow retail food costs equal to those of the average factory worker and compare the balance with that of last year, we find a substantial rise of 21 percent in income available for nonfoods among the

factory workers, 11 percent among miners, and small gains of 2 to 4 percent among the other groups, with no change among Government employees. For all non-agricultural workers, there is shown an average improvement in nonfood income of about 12 percent over last year, and about 11 percent over 1929.

If we assume that the prices of nonfood items in the factory worker's budget also may be taken to represent the other groups in the nonfarm working population, then average earnings of non-farm wage earners had a purchasing power (after paying for food) about 28 percent greater than in 1929.

Food Prices Are Still Relatively Low

From the standpoint of a balanced price structure, food prices are still relatively low, as they have been ever since 1929, and in fact ever since the 1920-21 price collapse after World War I. But taking 1929 as a base or 100, food prices during the first 6 months of 1941 stood at 78.8 percent and nonfood items 87.4 percent. If food prices had been in line with nonfood prices they would have been about 11 percent higher.

With a national food bill of about 16 billion dollars for domestically produced farm products, the nation as a whole is getting its food for about 1 3/4 billion dollars less than it would be paying if 1929 price relationships prevailed, and about half of this "saving" is being "contributed" by farmers and the other half by those engaged in food distribution. In other words, despite the recent rise in prices received by farmers, the latter are at a greater disadvantage than they were in 1929 relative to these urban groups, whose incomes have risen proportionately more.

While this statement deals only with the relationship between wage earnings and food costs that prevailed on the average during the first 6 months of this

year, the latest available monthly figures (July) show no marked deviation from the 6-month average. During the first 6 months food prices rose, but in July they were still 19 percent below their 1929 level, whereas nonfood items were only 11 percent below. This means that food prices in July, had they been in line with other prices, should have averaged about 10 percent higher than they did.

The relationship between food and nonfood items in the cost of living during June 1940 and recent months of this year is shown in the following table:

Cost of Living, June 1940 and recent months
(1929 = 100)

	June 1940	Apr. 1940	May 1941	June 1941	July 1941
Food	74	76	77	80	81
Nonfood	86	88	88	88	89

Table 1. Employment and Payrolls by Groups of Industries, 1929-1940

	1929	1932	1938	1939	1940	Jan.June 1/ 1940	Jan.-June 1/ 1941
				Employment (thousands)			
Mtg.	8,369	5,236	7,176	7,888	8,484	8,243	9,630
Mining	939	608	673	631	679	678	638
Trade	6,249	4,720	5,528	5,600	5,739	5,691	5,920
Trans.,Ut., and Comm.	2,746	1,886	1,793	1,838	1,894	1,875	1,998
Service	583	462	554	549	560	556	586
Fed. Govt. ex military	580	603	856	919	1,019	970	1,249
TOTAL	19,466	13,515	16,580	17,425	18,375	18,013	20,021
				Payrolls (Million dollars)			
Mtg.	10,894	4,610	7,742	9,092	10,400	9,730	13,216
Mining	1,343	547	772	791	862	850	880
Trade	8,388	5,243	6,476	6,649	6,906	6,808	7,326
Trans.,Ut., and Comm.	4,513	2,742	3,179	3,319	3,480	3,429	3,735
Service	562	363	448	453	469	464	501
Fed. Govt. ex military	1,002	1,023	1,552	1,676	1,888	1,769	2,282
TOTAL	26,702	14,528	20,169	21,980	24,005	23,050	27,940
				Payrolls per employed person (dollars)			
Mtg.	1,302	879	1,079	1,153	1,226	1,180	1,372
Mining	1,430	900	1,147	1,254	1,270	1,254	1,379
Trade	1,342	1,111	1,171	1,187	1,203	1,196	1,238
Trans., Ut., and Comm.	1,643	1,454	1,773	1,806	1,837	1,829	1,869
Service	964	786	809	825	838	835	855
Fed. Govt. ex military	1,728	1,697	1,813	1,824	1,853	1,824	1,827
TOTAL	1,372	1,075	1,216	1,261	1,306	1,280	1,396

Sources: Based on Bureau of Labor Statistics and Interstate Commission Data.
1/ Adjusted for Seasonal Variation

Table 2. Employment and Payroll Indexes by Groups or Industries, 1929-1940
(1929 = 100)

	1929	1932	1938	1939	1940	Jan.June 1/ 1940	Jan.June 1/ 1941
				Employment			
Mtg.	100	63	86	94	101	98	115
Mining	100	65	72	67	72	72	68
Trade	100	76	88	90	92	91	95
Trans., Ut., and Comm.	100	69	65	67	69	68	73
Service	100	79	95	94	96	95	101
Fed.Govt.ex military	100	104	148	158	176	167	215
TOTAL	100	69	85	90	94	93	103
				Payrolls			
Mtg.	100	42	71	83	95	89	121
Mining	100	41	57	59	64	63	66
Trade	100	63	77	79	82	81	87
Trans., Ut., and Comm.	100	61	70	74	77	76	83
Service	100	65	80	81	83	83	89
Fed.Govt. ex military	100	102	155	167	188	177	228
TOTAL	100	54	76	82	90	86	105
				Payrolls per employed worker 2/			
Mtg.	100	67	83	88	94	91	105
Mining	100	63	79	88	89	88	97
Trade	100	83	88	88	89	89	92
Trans., Ut., and Comm.	100	88	108	110	112	112	114
Service	100	82	84	86	86	87	88
Fed.Govt. ex military	100	98	105	106	107	106	106
TOTAL	100	78	89	91	96	92	102

Sources: Based on Bureau of Labor Statistics and Interstate Commerce Commission Data.

1/ Adjusted for Seasonal Variation

2/ Indexes of payrolls divided by indexes of employment

Table 3. Food and Nonfood Living Costs and Earnings per Employed Factory Worker

	Factory worker's earnings per worker		Retail value of 58 foods		Earnings available for nonfood items		Index of nonfood living costs
		(1929=100		(1929=100)		(1929=100)	(1929=100)
1929	$1302	100.0	$415	100.0	$887	100.0	100.0
1930	1209	92.9	391	94.2	818	92.2	98.6
1931	1086	83.4	322	77.6	764	86.1	94.5
1932	879	67.5	270	65.1	609	68.7	87.7
1933	854	65.6	264	63.6	590	66.5	82.5
1934	941	72.3	295	71.1	646	72.8	82.1
1935	1015	78.0	331	79.8	684	77.1	82.2
1936	1083	83.2	342	82.4	741	83.5	83.1
1937	1179	90.6	353	85.1	826	93.1	86.1
1938	1079	82.9	321	77.3	758	85.5	86.9
1939	1153	88.6	311	74.9	842	94.9	86.2
1940	1226	94.2	314	75.7	912	102.8	86.5
Jan-June 1940	1180	90.6	314	75.7	866	97.6	86.4
Jan-June 1941	1372	105.4	327	78.8	1045	117.8	87.4

Factory worker's earnings per worker derived from U. S. Bureau of Labor Statistics factory employment and payroll data.

Index of nonfood living costs derived from cost of living indexes of the retail value of 58 foods computed by the Bureau of Agricultural Economics from retail food prices of the Bureau of Labor Statistics.

Table 4. Per Capita Incomes of Nonagricultural Workers, 1929, 1940 and 1941

(a) Income per worker:

	DOLLARS				PERCENT OF 1929		
			Jan-June			Jan-June	
	1929	1940	1940	1941	1940	1940	1941
	dol.	dol.	dol.	dol.	pct.	pct.	pct.
Mfg.	1302	1226	1180	1372	94.2	90.6	105.4
Mining	1430	1270	1254	1379	88.8	87.7	96.5
Trade	1342	1203	1196	1238	89.6	89.1	92.3
Transp.,Util.& Comm.	1643	1837	1829	1869	111.8	111.3	113.8
Service	964	838	835	855	87.0	86.6	88.7
Govt. (excl.military)	1728	1853	1824	1827	107.2	105.6	105.7
TOTAL	1372	1306	1280	1396	95.2	93.3	101.7

(b) Available for nonfood items: 1/

Mfg.	887	912	866	1045	102.8	97.6	117.8
Mining	1015	956	940	1052	94.2	92.6	103.6
Trade	927	889	882	911	95.9	95.1	98.3
Trans.,Util.& Comm.	1228	1523	1515	1542	124.0	123.4	125.6
Service	549	524	521	528	95.4	94.9	96.2
Govt. (excl.military)	1313	1539	1510	1500	117.2	115.0	114.2
TOTAL	957	992	966	1069	103.7	100.9	111.7

1/ After deducting these food costs: $415 for 1929, $314 for 1940, $314 and $327 respectively for Jan-June 1940 and 1941.

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